

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03  
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
TRSE-00 EB-07 /065 W  
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R 291656Z JUN 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 1961  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY MOSCOW  
AMCONSUL OPORTO  
AMEMBASSY PARIS  
AMCONSUL PONTA DELGADA  
USMISSION NATO  
DIA WASHDC  
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 4997

E.O. 11652: GDS  
TAGS: PINT PO  
SUBJECT: POLITICAL DEVELOPMENTS: KAULZA MOVES SOUTH

REF: LISBON 4928 (DTG 271630Z JUN 77)

SUMMARY: ULTRA-RIGHT FORMER GEN KAULZA DE ARRIAGA PRESENTED HIS  
"INDEPENDENT MOVEMENT FOR NATIONAL RECONSTRUCTION" PROGRAM AT A  
JUNE 28 LISBON PRESS CONFERENCE. KAULZA CRITICIZED THE  
CONSTITUTION, THE SOCIALIST GOVERNMENT, AND THE PARTY SYSTEM. HE  
POINTED TO THE PRESIDENT AS A "HOPE" BUT THE THRUST OF KAULZA'S  
PITCH SUGGESTS THAT EANES IS LENDING HIM NO ENCOURAGEMENT.  
END SUMMARY.

1. KAULZA MAKES HIS PITCH: ULTRA-RIGHT, FORMER GEN KAULZA  
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DE ARRIAGA PRESENTED THE PROGRAM OF HIS "INDEPENDENT  
MOVEMENT FOR NATIONAL RECONSTRUCTION" (MIRN) JUNE 28  
AT A LISBON PRESS CONFERENCE. KAULZA MADE THE FOLLOWING  
POINTS:  
-- CALL FOR NEW CONSTITUTION: "THE MARXIST CONSTITUTION  
SHOULD BE DRAMATICALLY REVISED OR REPLACED BY A NEW  
DOCUMENT."

-- CRITICISM OF SOCIALISTS: "THE COMMUNIST OFFENSIVE UNDERWAY IS A SUBTLE AND EFFECTIVE ATTACK ON POWER BECAUSE THE LEGAL SOCIALIST GOVERNMENT IS NOT CONTESTING THE COMMUNISTS SUFFICIENTLY."

-- PREDICTS FALL OF PS GOVERNMENT: "ECONOMIC AND FINANCIAL DETERIORATION WILL LEAD SOONER OR LATER TO THE FALL OF THE SOCIALIST GOVERNMENT." THE ASSEMBLY SHOULD THEN BE DISSOLVED AND NEW ELECTIONS HELD.

-- APPEAL TO THE PRESIDENT: "THE PRESIDENT, DESPITE THE FACT THAT SOME BELIEVE HIM INDECISIVE OR SLOW TO ACT, IS STILL UNDER PRESENT CIRCUMSTANCES A HOPE."

-- REJECTION OF CURRENT SYSTEM: THE CURRENT GOVERNMENT, THE CURRENT LEGISLATIVE ASSEMBLY, AND THE CURRENT PARTY SYSTEM WILL HAVE GREAT DIFFICULTY IN RESOLVING NATIONAL PROBLEMS AND ASSURING THE SURVIVAL OF PORTUGAL.

-- THE MIRN PROPOSAL: MIRN ENVISIONS A CONVERGENCE OF FORCES RANGING FROM THE RIGHT TO SOCIAL DEMOCRATS AND SOME NON-MARXIST SOCIALISTS. THE MIRN WILL ONLY BECOME A PARTY ON THE EVE OF ELECTIONS IF IT IS IMPOSSIBLE TO FORM THE ABOVE COALITION.

2. PRESIDENT REJECTS DEMONSTRATION OF SUPPORT: THE PRESIDENCY RESPONDED JUNE 28 TO THE CALL OF SEVERAL NEWSPAPERS FOR A DEMONSTRATION OF SUPPORT ON THE JULY 14 ANNIVERSARY OF HIS INAUGURATION. THE  
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PRESIDENCY REJECTED ANY DEMONSTRATIONS AND CALLED ONLY FOR HARDER WORK BY ALL CITIZENS.

3. PS HITS LEFTIST DISSIDENTS: STATE SECRETARY MANUEL ALEGRE HIT FORMER AGRICULTURE MINISTER LOPES CARDOSO JUNE 27 "FOR BETRAYING HIMSELF BY MAKING COMMON CAUSE WITH THE ENEMIES OF THE SOCIALIST PARTY" (REFTEL). ALEGRE SAID LOPES CARDOSO WAS LEAVING THE PARTY THROUGH HIS STATEMENTS. THE LISBON AREA FEDERATION OF THE SOCIALIST PARTY (FAUL), A FREQUENT STALKING HORSE FOR THE NATIONAL SECRETARIAT, APPEALED JUNE 28 FOR THE PARTY TO RESPOND TO LOPES CARDOSO AND HIS LEFTIST FACTION, THE WORKERS BROTHERHOOD. IN ITS STATEMENT, FAUL:  
-- ASKED THE PARTY TO CLARIFY WHETHER PS MEMBERS COULD REMAIN IN THE PARTY WHILE PARTICIPATING IN A POLITICAL ASSOCIATION WHOSE PRINCIPAL REASON FOR EXISTENCE IS TO SYSTEMATICALLY ATTACK THE POLITICAL LINE OF THE PARTY AND THE GOVERNMENT.

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TRSE-00 EB-07 /065 W

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FM AMEMBASSY LISBON

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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 4997

-- LABELED THE WORKERS BROTHERHOOD "A PARA-PARTY ORGANIZATION" WHICH DOES NOT BECOME A PARTY ONLY BECAUSE IT DOES NOT WISH TO LOSE THE LEGISLATIVE ASSEMBLY POSITIONS OF ITS LEADERS.

-- CRITICIZED THE WORKERS BROTHERHOOD FOR SUPPORTING THE COMMUNIST-DOMINATED CGTP AND A PS-PCP ALLIANCE.

-- EXPRESSED ITS CONCERN OVER THE PRESENCE OF MEMBERS OF THE REVOLUTIONARY COUNCIL IN WORKERS BROTHERHOOD MEETING WHICH FAUL TERMED INTERFERENCE IN THE AFFAIRS OF THE GOVERNING PARTY AND SUPPORT FOR A DIVISIONIST MANEUVER.

4. SA CARNEIRO AGAIN CALLS FOR COALITION:

FOLLOWING A JUNE 28 MEETING WITH PRIME MINISTER

SOARES PSD LEADER SA CARNEIRO TOLD THE PRESS

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THAT THE PSD FAVORS A GOVERNMENT OF

THE THREE DEMOCRATIC PARTIES WITH THE CONFIDENCE

OF THE PRESIDENT AND INCLUDING THE MOST COMPETENT

PEOPLE AVAILABLE. SA CARNEIRO DISAGREED WITH SOARES' OPTIMISTIC VIEW OF THE ECONOMY AND POINTED TO RISING PRICES, THE DECLINE IN AGRICULTURE AND FISHING PRODUCTION AND INCREASING FOREIGN INDEBTEDNESS AS SERIOUS ECONOMIC PROBLEMS. REGARDING THE 750 MILLION DOLLAR LOAN TO PORTUGAL, SA CARNEIRO SAID THAT NO LOAN HAD BEEN SIGNED AS YET; THERE IS ONLY "A DECLARATION OF GOOD INTENTIONS BY 11 COUNTRIES." THE PSD LEADER ALSO CRITICIZED THE GOVERNMENT FOR NOT SUPPLYING THE ASSEMBLY WITH THE NECESSARY INFORMATION TO REVIEW FOREIGN LOANS. PRESIDENTIAL STAFFER TOLD ARMA JUNE 29 THAT PRESIDENCY IS NOT CONCERNED WITH KAULZA.

5. COMMENT: PRESIDENT EANES IS UNLIKELY TO BE FLATTERED BY KAULZA'S DESCRIPTION OF HIM AS A "HOPE". BY REJECTING THE CALL FOR A DEMONSTRATION IN HIS HONOR, EANES UNDERSCORED HIS UNWILLINGNESS TO PRESENT HIMSELF AS A NATIONAL SAVIOR.  
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